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SUBJECT: UNIONS IN THE SOUTH: BETWEEN IDEOLOGY AND MODERNITY

11. (SBU) SUMMARY: The formal legal and regulatory structure of labor markets in HCMC and surrounding provinces has not changed to keep pace with the fundamental changes that have taken place in the economy as whole. There is still one state-created and CPV-controlled national union, the Vietnam General Confederation of Labor (VGCL) to which private sector employers must pay a mandatory 1% of their payroll. The VGCL's primary responsibilities are to provide for worker protection and services and education to workers consistent with the ideology of the Communist Party of Vietnam (CPV), while serving as a recruiting and training system for new CPV members. The reality on the ground varies drastically province to province and even company to company, with some labor leaders playing an increasingly productive role in building communication between workers and management and serving as mediators during work stoppages. A "pilot" single-sector union for textile workers established in 2006 is increasingly popular with workers and employers alike but ultimately still reports to the VGCL and, through it, to the CPV. End Summary.

PART ONE IN A SERIES

12. (SBU) This is the first in what is planned as a series of cables covering the complex situation facing labor markets, union and employers in southern Vietnam. This part focuses primarily on the overall structure as viewed from the provincial level in Vietnam's most industrialized provinces -- primarily Ho Chi Minh City, Binh Duong and Dong Nai. Future installments will report on the experiences of specific companies and unions as they attempt to develop workable solutions to protecting workers' rights while maintaining conditions for economic growth.

SOUTHERN LABOR MARKETS: WHERE THEORY AND REALITY DO NOT MEET

13. (SBU) The provinces that make up the "Southern Key Economic Zone" centered on HCMC produce a sizable majority of all manufactured goods in Vietnam under conditions that, at first glance, strike observers as typical of any developing market economy. Despite the persistence of some state-owned enterprise (SOE) behemoths, most production occurs in either locally- or foreign-owned private factories. There is a functioning "natural" (as opposed to government-created) labor market which is generally unregulated and often chaotic. Particularly at the private firms that dominate in the south, labor is purely voluntary since workers are not dependent upon their employer for permission to occupy housing, obtain health care, etc. Much of the labor is the result of internal migration from less

economically developed regions and workers frequently exercise their right to change employers. Strikes are frequent, chaotic and generally unplanned. It is not uncommon for managers to arrive in the morning to find all their workers sitting outside the factory gates despite having received no previous hint of dissatisfaction. Because virtually 100% of strikes are illegal, as the procedures for strikes is long and complicated, strike leaders -- if there are any -- blend in with the crowd rather than step forward.

14. (SBU) The official trade unions are remarkably regimented according to strict ideological principles. Officials explain that, as a socialist country, the entire government and legal system of Vietnam are all built around the interests of workers. Provincial Departments of Labor, Invalids and Social Affairs (DoLISAs), the Vietnam General Confederation of Labor (VGCL), and Vietnam Chamber of Commerce and Industry (VCCI) all exist, at least in part, to support local unions' efforts to ensure the wellbeing and development of the working class through (primarily ideological) education and social activities. Even the (100% government-controlled) media plays an important role via newspapers like Lao Dong ("Labor") and Nguoi Lao Dong ("Worker"). When explaining the role of unions in Vietnam's socialist system, labor officials at DoLISA, VGCL, VCCI and labor newspapers stressed that labor unions in Vietnam are "social/political organizations," that they represent workers' rights beyond just wage concerns and operate within the socialist ideology. They also added that local unions play a fundamental role in recruiting and developing both Communist Party members and "higher-level labor union" staff and leadership.

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TOP-DOWN POLITICS: THE FORMAL STRUCTURE OF LABOR

15. (SBU) In each province, the primary organizations charged with regulating labor markets and supporting the development of workers themselves are the Provincial Department of Labor, Invalids and Social Affairs (DoLISA), the provincial branch of the Vietnam General Confederation of Labor (VGCL) and provincial chapter of the Vietnam Chamber of Commerce and Industry (VCCI). Each organization is officially charged with a different aspect of ensuring the development of workers. DoLISA looks after their physical needs; VGCL ensures that they are organized and understand their role in a socialist society; VCCI creates employment opportunities by promoting business and exports.

16. (SBU) In reality, the role of the provincial DoLISA, particularly in economically successful provinces such as those around HCMC, is increasingly that of a government regulatory body. This transition is far from complete. While provincial DoLISA officials told EconOff they are responsible for enforcing the Labor Code of Vietnam, for example, DoLISA officers are far too understaffed to effectively guarantee compliance. The HCMC DoLISA Director told EconOff the Department has 20 inspectors who collectively conduct about 100 inspections a year among the roughly 250,000 firms and sole proprietorships that fall under their jurisdiction. Dong Nai and Binh Duong, two of Vietnam's most industrialized provinces, reported similarly dire understaffing. In an attempt to compensate for their inabilities to conduct in-person inspections, provincial DoLISAs send annual self-inspection forms to each registered business. No one with whom we spoke, including both government officials and business owners, placed much confidence in the accuracy of self-reported inspections. Another important role of the provincial DoLISA is to represent the GVN during labor disputes by facilitating negotiations and offering legal advice to any

and all involved parties. While various DoLISAs have made strides in this area over the past few years, neither employers nor workers are satisfied with the situation as it exists today. Nonetheless, they do appear to appreciate the movement of some provincial DoLISAs away from simply ignoring illegal work stoppages to attempting to play the role of an independent interlocutor.

¶7. (SBU) The role of the provincial branch of VCCI has changed even more drastically in the most economically advanced provinces. While provincial VCCIs still must belong to the Fatherland Front, in provinces where private enterprise has flourished the most, VCCI operates much like a Chamber of Commerce, representing the interests of factory owners and managers to the GVN and others. Like far-sighted business organizations around the world, the better provincial VCCIs understand the importance of developing good, workable channels for worker-employer communication and devote considerable energies to ensuring that members maintain sound, legal business and labor practices.

¶8. (SBU) Unfortunately, provincial official government labor unions in the south have not, on the whole, made the transition to a modern market economy as successfully as have the provincial DoLISAs and VCCIs. Instead, they continue to try to fulfill an ideologically defined role that is increasingly irrelevant to the majority of private sector wage earners. A common grumble among workers is that the primary role of the official union is to provide employment for young members of the communist party.

¶9. (SBU) The Vietnam General Confederation of Labor (VGCL), is the official government-sanctioned union. As the VGCL chief in Binh Duong -- arguably Vietnam's most economically progressive province-- stated all labor unions must join the VGCL within six months of formation. In other provinces, labor unions at individual factories are often directly created by the provincial VGCL. VGCL leaders explain that in each province, the VGCL is a constituent organization of the provincial Fatherland Front and the VGCL's primary purpose is to provide services to unions in a manner consistent with party ideology. It facilitates union formation, and distributes information to

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unions. In theory, the VGCL should represent the union in any labor dispute or strike. In practice, this virtually never happens since, as even the Binh Duong VGCL chairman lamented, when strikes happen they are almost always without any consultation with the VGCL.

¶10. (SBU) Formally part of the VGCL, but somewhat parallel in practice, is the sector trade union, the Vietnam Textile Workers Union (VinaText), which was founded as a pilot project in 2006 with the approval of the VGCL. It is novel in that it offers textile unions a choice: they can opt for VinaText services targeted to the textile, garment and apparel industry, and/or of those of the provincial/municipal VGCL. The theory behind the founding of VinaText is that a single-sector trade union should be able to provide more focused and specific advice and services than VGCL. Thus far, this new arrangement is proving popular with both workers and employers in the textile industry, with roughly 80% of textile firms in the southern provinces channeling at least a portion of their mandatory contribution of 1% of payroll to the union to VinaText.

IN PRACTICE, MARKETS AND PERSONALITIES DRIVE LABOR DECISIONS

¶11. (SBU) In numerous discussions with Consulate officers, most labor officials began by reciting the laws and decrees that laid out their responsibilities but eventually conceded that economic realities and personalities ultimately drive labor action much more than the formal system governing organized labor. The HCMC DoLISA chairman provided us with a succinct and accurate, market-based rationale for changes in the level of strike activity. When exports were booming and domestic inflation spiraling in the first half of 2008, there were 198 strikes (all technically illegal) in HCMC alone. In the first half of 2009, HCMC had only 48 strikes despite the fact that labor markets have clearly worsened and many firms have had to lay off workers. Workers appear to intrinsically understand that companies that are struggling to stay afloat cannot offer higher wages.

¶12. (SBU) The rules for legal strikes in Vietnam are so onerous as to make them difficult to hold. The result of overly strict rules on strikes has been an explosion in "wildcat" strikes, particularly over the past few years. Because they are illegal and occur outside the formal system, when strikes happen they generally come without warning to either management or the union, a fact openly acknowledged by provincial union leaders. In most cases, strike leaders did not identify themselves nor did they make any explicit demands, so it was impossible for the management to begin any constructive negotiations. One manager described a typical strike action to us, saying that she arrived at work one morning to unexpectedly find that all the workers were outside the factory. Despite the obvious work stoppage, no one could give any reason for the strike nor were any formal demands issued.

¶13. (SBU) Every provincial-level organization we spoke with (VGCL, VCCI, DOLISA) described strike mediation as one of their primary responsibilities. Unfortunately, in every instance we heard about, no agency was able to take a leading role and facilitate fast strike negotiations. A Dong Nai company told us that when their workers went on strike by surprise, officials from the local government, local agencies, local unions, and the police all descended on the factory to attempt to get workers back to work. Still, negotiations didn't proceed smoothly and the strike finally ended a few days later when the company offered the workers a small allowance. In an unfortunate but typical scenario, however, the lack of communication caused by having an official but largely non-functioning union meant that workers had no way of making their grievances known.

COMMENT

¶14. (SBU) The formal system of CPV controlled official unions is not only incompatible with Vietnam's growing market-based economic system, it is often an impediment since the existence

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of the official unions can act as a de facto impediment to genuine employee-management communication. Despite this fundamental shortcoming, the reality on the ground is not nearly as bleak as one might expect. Instead, some innovative firms that value long-term employee development are finding ways to work within the system to create genuinely responsive unions that effectively convey workers concerns to management. Also, the entire VinaText union appears to be more responsive than its VGCL parent, most likely because it has been able to bring in younger, less ideologically-bound staff members who have a more realistic view of the union's role. End Comment.

¶15. (U) This cable was coordinated with Embassy Hanoi.
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